

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – DECEMBER 10, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.; Brian Law, Law Warehouses.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending 12/7/03 shows sales were directly impacted by the weekend snowstorm. Retail sales were down -10.8%, on-premise sales were up 2.3%, off-premise sales were up 36.5%, and total aggregate sales were down almost -0.5%.

The W-1 Total Weekly Sales report for the same period confirms total sales decreased by about -0.5% or (\$31,889), but were up for the year by 7.9% or \$12,604,746. Wine sales for the week were up slightly over 6% or \$198,762, as they were for the year by 8.7% or \$6,294,150. Sales of spirits were down -6.17% or (\$230,651) for the week, but increased by 7.22% or \$6,310,797 year-to-date.

B. Budget Reports:

Regarding depletions and post-offs, Craig reported that overdue payment has now been received from one broker. However, there are now a couple of issues regarding monies due by two other brokers.

430 gift cards were sold during the week of November 30 through December 6. Craig thinks there will be a much higher increase during the upcoming holiday period.

There was nothing of significance to report regarding worker's compensation for this week.

Craig mentioned that the evaluation report, which needs to be updated, is available for everyone to review to see where they stand.

After receiving final numbers from OIT this week, we should be able to proceed with the Enforcement e-licensing project. Craig senses that the Commission

should try to keep this moving because so much hard work has already been put into it already.

Craig mentioned that December 26 and January 2 both fall on Fridays. He was concerned that there would be office coverage where it is needed, particularly at the front desk, and asked that the Bureau Chiefs coordinate to make sure coverage is adequate on these days.

Metrics information was forwarded to the person coordinating this effort. It was returned to Craig to be incorporated into an excel spreadsheet, which he did. Craig cautioned that whatever the Commission chooses to monitor must be able to be measured. He would appreciate it if the Chiefs and Commission would review this over the next couple of days and report any changes to him. Chief Moore wondered if this information might be tied to the budget or legislative hearings in the future.

The Expense Budget Activity Variance Report for the week ending December 9, 2003 shows the year is at about 44% expended, with total agency expenditures at about 42.7%. There was nothing significant to report this week.

George explained that every several months auditors are rotated, and that the present one for the Commission has several issues which need to be handled. The auditor is saying that relocation expenses should encumber money in that line. However, the Commission does not have access to this money until it is released from Fiscal Committee. Joe Bouchard from Administrative Services will try to assist in a resolution.

Work is being done on putting together a Governor and Council request for sweepstakes incentive monies.

The Annual Report for 2003 is at the printers, and should be proofed by the end of the week. It will be forwarded to the Commission as soon as possible.

2. IT Report:

An amendment is being developed to the Dell contract for lap top replacement and disaster recovery by George with the Attorney General's Office. Approval has been received from OIT to go forward with this. It is hoped that the amendment will be ready for the first Governor and Council meeting in January.

An RFP for Telexon replacement equipment will be ready by this afternoon, and attempts will be made to get approval from OIT as soon as possible. Howard hopes the RFP will be awarded by the end of this month.

The debit problem, which appears to a Paymentech issue, has yet to be solved at Store #22 Brookline.

Howard brought up the subject of fraud detection which was discussed several weeks ago. Some requests have been made by Store Operations to provide more information on certain transactions and sales, which has been collected for several months now. The store managers would have to review a summary of these transactions on a daily basis. IT has come up with a report to assist with this which includes no-sales, line voids, cancelled sales, suspended sales and refunds. Peter said this report will be presented to the Store Supervisors at this week's meeting. He explained how this information will be monitored at the store level. Howard showed on screen how the report will look. The Commission and other members commended Howard on a job well done.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending December 7, 2003 were down -10.25% or (\$559,961.24). A decrease of \$453,000 occurred on Sunday alone due to the inclement weather.

A Supervisors' Meeting is scheduled for tomorrow from 10:00 a.m. to 1:00 p.m. in the first floor conference room.

There was a meeting yesterday with Representative McKim Mitchell and developer regarding a potential new site for Store #2 Chesterfield. This would be strip mall venture, with 6,000 square feet allocated for the liquor store. The proposal for the mall has to go before the local planning board for approval. In addition, Tom Smith will be meeting with Bob Preston regarding the needs for the new seasonal location in Seabrook.

Peter noted that the displays in all of the stores look great for the Holidays.

A. Broker Representative Placed Shelf Talkers:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a notification to be sent to all local brokers that when inaccurate information is placed on the shelves in state liquor stores that the broker shall take immediate action to remove all inaccurate shelf talkers, and that subsequent incidents be handled administratively through fines and/or suspension of the broker's license, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

There will be a 10:30 meeting with Martignetti Companies and United Beverages at which time each will present their spring promotions.

2. Purchasing Report

John Bunnell reported that out-of-stocks are in good shape on all major items going into the Christmas holiday. There are only three items which are not available in Store #34 Salem. In addition, the Batavia wines are starting to come in. Commissioner Byrne questioned some of the listed wine items which are new and asked Nicole Horton to double check on these.

The latest warehouse report shows there was no overtime accrued last week, with all deadlines being met. Commissioner Byrne asked to meet with John Bunnell at the conclusion of the meeting regarding this.

3. Merchandising Report

The results of the Thanksgiving Sale, which took place from Thursday, November 20 through Sunday, November 30, 2003, were noted and placed on file.

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Bruichladdich 17 Yr. Old Scotch):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Connoisseur Wine Company, Inc. for new test market listings for Bruichladdich 17 Year Old Single Malt Scotch, 750ML size (assigned Code #2312) and Bruichladdich 13 Year Old Single Malt Scotch, 750ML size (assigned Code #2313), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Erin Go Bragh Single Malt):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Middleton Distillery for a new test market listing for Erin Go Bragh Single Malt Irish Whiskey, 750ML size (assigned Code #1268), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Pierre Ferrand Ambre Cognac):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti

Companies of N.H./Pierre Ferrand for a new test market listing for Pierre Ferrand Ambre Cognac, 750ML size (assigned Code #4644), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Pomme de Vie, Vt. Apple Brandy):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of N.H./Flaghill Farm for a new test market listing for Pomme de Vie, Vermont Apple Brandy, 375ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Results (Codes #3767, #4525, #3493, #3492, #3491 & #3810):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission delist Code #3767, Players Extreme Vodka, Code #4525, Admiral Nelson Spiced Rum and Code #3493, Skyy Spiced Vodka, 750ML sizes, which all failed to achieve their respective gross profits required for both full distribution and specialty status at the conclusion of a six-month test market period, but grant specialty status to Code #3492, Skyy Vanilla Vodka, Code #3491, Skyy Berry Vodka and Code #3810, Zygo Vodka, 750ML sizes, each of which did achieve their respective gross profits required for such listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (5 codes):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant full distribution to the following five (5) wine codes, each of which earned at least \$6,500 during a twelve-month period, a majority of which were in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #21428, Santa Margherita Merlot, 750ML size; Code #28578, Stella Pinot Noir Umbria, 750ML size; Code #34951, Chateau Ste. Michelle Eroica Riesling, 750ML size; Code #36771, Yellow Tail Merlot Australia, 1.5L size; and Code #37943, Columbia Crest Two Vines Merlot, 750ML size. The motion was unanimously adopted.

2) N.H. State Liquor Commission Wine Tasting:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a wine tasting to be held at the Mt. Washington Hotel on May 6, 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Store Tastings:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. to conduct in-store tastings at Stores #60 West Lebanon, #69 Nashua, #4 Hooksett, #23 Conway and #25 Stratham from 4:00 to 7:00 p.m. on various dates from January through June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Store Tastings (revised):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from E & J Gallo Winery to conduct revised in-store tastings on December 19, 2003 from 4:00 to 7:00 p.m. in Stores #34 Salem, #69 Nashua, #60 West Lebanon, #25 Stratham, #23 Conway, #4 Hooksett, #6 Portsmouth, #49 Plaistow and #11 Dover, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Cartlidge & Browne Program:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve depletion allowances and display offer from United Beverages, Inc./Cartlidge & Browne Winery featuring four (4) Cartlidge & Browne wines during January, February and March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Wine Specialty Products (22 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-two (22) wine items to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Recommended Allocated Wines for Distribution to Selected Stores (20 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty (20) allocated wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) “R” Wines for Approval for Allocation (5 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve five (5) “R” wine codes for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) Primary Source Submissions (2 items – primary source; 6 items – exclusive agent; 8 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, six (6) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and eight (8) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

Chairman Maiola reported that he had met with John Bunnell and George Tsiopras relative to Class 50 monies, which are running low. He suggested that the three store employees currently assigned to the training program in Enforcement be returned to their respective stores temporarily to help relieve the shortage during the holidays. It was moved by Commissioner Byrne, seconded by Commissioner Russell, that these three people be returned to their original home stores effective as of next Monday through January 1, 2004. The motion was unanimously adopted.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated December 3 through December 10, 2003. The motion was unanimously adopted.

**NEW HAMPSHIRE STATE LIQUOR COMMISSION
MINUTES OF MEETING – DECEMBER 10, 2003**

Page Eight

2. Coupon Approvals: None.
3. Late Items: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

